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Chin looking into partnership

Developer Ray Chin, deep in the financial mire at his failed Grand Pier project in Streeterville, is exploring a partnership with LR Development LLC that could finally put a condo high-rise on the site.

Chin can't pay a \$21 million mortgage to LaSalle Bank, which is foreclosing, plus a debt of a similar sum to Lehman Brothers. LR is in the midst of a three-building condo project at Lake Shore Drive and Pearson, but needs to show it can still make big deals without its charismatic founder, Bruce Abrams, who died in December 1999.

The circumstances have made for an extended courtship, at least. Tom Weeks, LR's president, said the company has been following [Grand Pier] for months now. We'd like to see it get done." He said LR would like to control a proposed 74-story high-rise, but not the site's commercial segment, which includes a Dominick's food store and a planned hotel.

Work on the block stopped last May when Chin couldn't pay the contractors. The block is bounded by Grand, Illinois, Columbus and St. Clair.

Weeks said that given the financial complexities, he's not sure a deal can be reached. Others have looked and passed, the latest being Evangeline Gouletas' Skyline Equities Realty LLC. Even if matters are worked out with LaSalle and Lehman, the developers still have to run the gauntlet of neighborhood opposition to such a tall building just off Michigan Avenue.

LR is a leading developer of housing for the rich, but it also has a division that backs affordable units. That operation celebrated a milestone Monday with the opening of the 100-unit Humboldt Ridge Apartments at 1800 N. Kimball. Fannie Mae, the Illinois Housing Development Authority and Bank of America backed the project, where the apartments are supposed to stay affordable for at least 30 years.

RESCHKE NEEDS RESCUE: Michael Reschke, chairman of Prime Group Realty Trust, is nothing if not a survivor. His mastery of public and private debt markets made him a real-estate mogul in the 1990s. But recent downturns in the market have hit him hard and now he's running a real risk of losing control of the trust, a leading owner of downtown and suburban offices.

A falling stock price killed his effort to team with a Canadian pension fund and buy the roughly two-thirds of the company that he doesn't already own. And when that happened, he couldn't repay a \$62 million loan to Vornado Realty Trust, which owns the Merchandise Mart. Vornado has started foreclosure proceedings and could take over Prime Group

because Reschke's shares guaranteed the loan. Vornado also is foreclosing on a \$38 million loan to Reschke it acquired from another party.

"They've got him surrounded," one insider said. But sources said Vornado wants its money and not control of Prime Group, even though analysts have said its property is worth \$14 to \$15 a share, compared with its current stock price of \$9.63. So Vornado should be open to negotiations if Reschke finds a savior.

CITY VIEWS: Revealing its next bets for the city housing market, Concord Development Corp. of Illinois has requested zoning changes for a planned 214-unit building at 518 S. State, across the street from the proposed multi-school dormitory for downtown campuses, and a 70-unit building at 718 N. Dearborn. Concord Executive Vice President Roger Mankedick declined to discuss details, other than to say his company is the contract purchaser of both parcels.

Also, city officials have an application from Interfaith Housing Development Corp. of Chicago to build a single-room occupancy hotel and six town houses at the southwest corner of Huron and Kedzie.

WARNING SIGNS: The annual "Emerging Trends in Real Estate" report by PricewaterhouseCoopers LLP and Lend Lease Real Estate Investments Inc. is always a thorough and even entertaining analysis of major markets. This year's edition, although based on surveys conducted before Sept. 11, has plenty of warnings for Chicago. It warns that real estate investment prospects have peaked in the nation's "24-hour cities." It also says, "Today's Generations X and Y now

gravitate to the pulse and allure of big city lifestyles, but tomorrow they won't put their children's education at risk in city schools. ... A reverse tide will head back to the 'burbs."

Meanwhile, Chicago-based Appraisal Research Counselors Ltd. said in its third-quarter report that it expects the downtown area will add 13,631 residential units from 2001 through 2004. Despite a slowdown in sales, that's still a brisker pace than the 2,400 units annually the region averaged during the 1990s.

MOVING ON: After seven and a half years as the lobbyist for the Building Owners and Managers Association of Chicago, Paul Colgan is changing fields. He's becoming director of research for DecisionQuest, a Los Angeles-based company with Chicago operations that consults on trials, jury selection and use of focus groups. It's also involved in "crisis public relations." But at least Colgan won't have periodic nightmares about City Hall proposing a commercial lease tax.

TWO-STROKE PENALTY: My apologies to golf course architect Rick Jacobson for botching his name in last week's report about renovations at Indian Lakes Resort.

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